

# ***Show Me The Money!***

- **Bookkeeping Basics**
- **Record Keeping**
- **Real Life Scenarios**

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# Successful Record/Bookkeeping

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The key to successful record-keeping is getting organized and keeping an archive of those records.



# Bookkeeping Basics

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A good bookkeeping system should be easy to maintain, reliable and accurate. There are many types of bookkeeping systems that an association can use:

- ❑ **Double Entry Bookkeeping**-This is the system taught in most schools. However it requires formal training to master it.
- ❑ **Computerized Bookkeeping**-There are many types of prepackaged software packages designed for bookkeeping purposes. They range in price from \$100's of dollars to \$1,000's of dollars and require training in their use.
- ❑ **Single Entry Bookkeeping**-This style of bookkeeping is simple to set up. Using a basic columnar pad, each transaction is recorded once-either as revenue or an expense.



# Single Entry Bookkeeping

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Because single entry bookkeeping is simple to use and requires little training, this is the system we will describe further.

The type of equipment needed for this system is:

- ☐ Pencil
- ☐ Calculator
- ☐ Columnar Pad



# Setting Up Your Bookkeeping Ledger

Each page of the ledger book will record the transactions for a particular month. This serves as a backup for your association's bank book. For example:

For: April 2003			Beginning Balance: \$326.00		
Date	Ref.#	Description	Received	Payment	Balance
03/23/2003		Dues Received	\$ 25.00		\$ 351.00
03/25/2003		Supplies		\$ 21.00	\$ 330.00



**The last three columns record money received, money paid and current balance.**

**The first three columns of your ledger are used to record the date, reference number and transaction description. It is important to fill out all the particulars for each entry.**

# Reconciling The Association's Bank Account

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**You will receive a monthly statement from your bank showing all deposits and withdrawals. It is important to reconcile your account immediately upon receiving your statement. This ensures that mistakes or corrections are caught in a timely manner and the association will have a accurate record of it's fiscal condition.**





# Reconciling Your Bank Account

If you currently balance your personal check account, you are already familiar with the process. If not, the 5 steps are as follows:



<b>Step 1:</b> Enter the amount shown as “Ending Balance” in checking account summary usually shown on the first page of your bank statement	\$
<b>Step 2:</b> Enter total amount of any deposits made after the “Statement Date” usually shown on the first page of your bank statement	+ \$
<b>Step 3:</b> Add the figures from Step 1 and Step 2 together and enter total here→	= \$
<b>Step 4:</b> Add up all outstanding checks not shown on the bank statement and enter the total here→	- \$
<b>Step 5:</b> Subtract the total from Step 4 from the figure calculated in Step 3 and enter the total here→	\$

***The figure resulting from Step 5 should equal the amount calculated in your bank book.***

# Your Books Are Now On Track!

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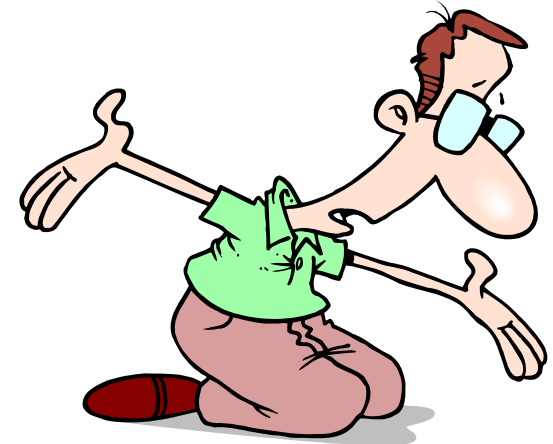
If the total from Step 5 matches the current balance of your check book then you have successfully balanced the association's books. Congratulations!



# Some Final Tips on Bookkeeping/Record Keeping

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- ☐ Recording transactions should be completed on a regular basis to ensure their completion and maintenance.
- ☐ Duplicate copies of all the associations records should be given to the other officers of the association for safekeeping.
- ☐ Store the association's records in a fire proof safe. It would be a shame to see all your hard work go up in flames. It has happened!



# Why Worry About Keeping Accurate Records?

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☐ Accountability to:

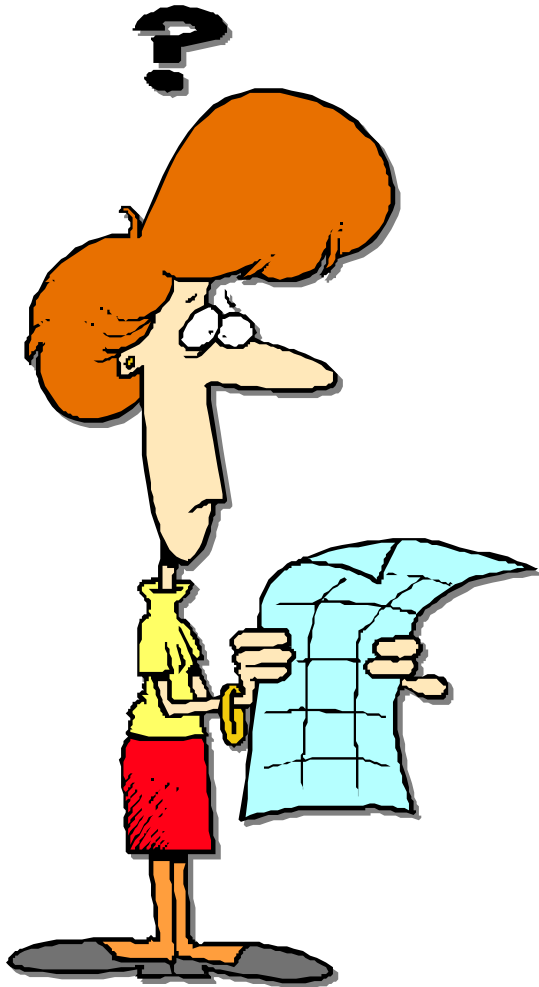
- Members
- Public
- Others

☐ Compliance with federal, state and local regulations

☐ For use in planning and evaluating budgets

☐ Liability protection

☐ Organization history



# Record Maintenance

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For legal and historical reasons, records should be kept for a certain period of time.

The three (3) primary types of records created or used by an association are:

- ☐ Basic Organizational Documents
- ☐ Administrative Documents
- ☐ Financial Documents



# How Long Should I Keep the Records?

## Basic Organizational Documents

Articles of Incorporation	Permanent
Bylaws	Permanent
Federal/State Id Numbers (EIN)	Permanent
State/Local tax exemption certificates	Permanent
Directories ( <i>update as needed</i> )	Permanent
Registered agent name & address- ( <i>report any change immediately</i> )	Permanent



# How Long Should I Keep the Records?

## Administrative Documents

Board -meeting announcements, agendas and minutes	Permanent
Committee- meeting announcements, agendas and minutes	3 Years
Insurance policies	7 Years
Annual reports	Permanent
General correspondence\newsletters	3 Years
Legal & contract correspondence	Permanent



# How Long Should I Keep the Records?

## Financial Documents

Budget/Bookkeeping records	Permanent
Financial statements	7 Years
Bank reconciliations	1 Year
Bank statements & cancelled checks	7 Years
Tax returns-all kinds	Permanent
Invoices	7 Years
Contracts/Contract Proposals	7 Years





# Creating a Formal Structure

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Neighborhood Associations are not required to organize in any particular way. However, there are a number of options you may want to consider:

- Bylaws
- Obtain a tax identification number
- Incorporate
- Open a bank account
- Obtain tax exempt status



# What are Bylaws?

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**Bylaws are the governing structure by which the neighborhood association is organized and run. They should include:**

- ☐ **The name and purpose of the group**
- ☐ **Description of members**
- ☐ **Terms of officers**
- ☐ **Dues (if there are any)**
- ☐ **Meeting information**
- ☐ **Provisions for amendments**



# What is Tax Identification Number?

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A federal tax identification number, also known as an employer identification number (EIN), is basically like a Social Security number for your organization. It is used to open bank accounts, apply for tax exempt status and filing IRS tax forms. To obtain the form SS-4 for an EIN:

Phone: 1-800-TAX-FORM  
(1-800-829-3676)

Or visit:

<http://www.irs.gov/formspubs/lists/0,,id=97817,00.html>



# Why Incorporate?

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- ❑ Incorporated organizations must adopt formal operating procedures as required by the state. This lends a sense of permanence to the association.
- ❑ Limited liability-provides a degree of immunity from liability for people who serve as officers and volunteers to the association. The corporation itself is liable while members' personal funds and assets are protected. However, keep in mind that members can be held liable for intentional negligence and misappropriated funds.
- ❑ Tax benefits-Groups that incorporate under the Texas Nonprofit Corporation Act may apply for exemption from state corporate franchise tax and qualify for exemption from certain other state and federal taxes.

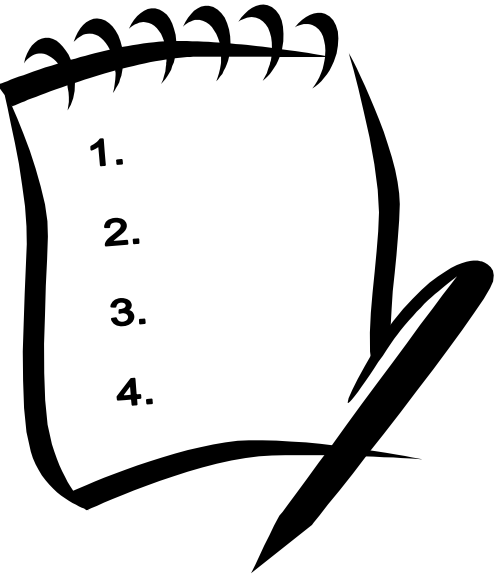


# Steps to Incorporate

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**Step 1:** Determine who in your association will serve as the incorporator. This person will be responsible for signing the articles of incorporation

**Step 2:** Decide who among the association will serve as the registered agent. The registered agent is the individual that will receive all official communications from the State of Texas on the corporation's behalf.



**Step 3:** Choose a name for your corporation. The name can't be the same or similar to an existing corporation. The secretary of state can provide a preliminary determination on "name availability," you may call (512) 463-5555 or e-mail your name inquiry to [corpinfo@sos.state.tx.us](mailto:corpinfo@sos.state.tx.us).

# Steps to Incorporate

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**Step 4:** Obtain Articles of Incorporation form 202 from the State:

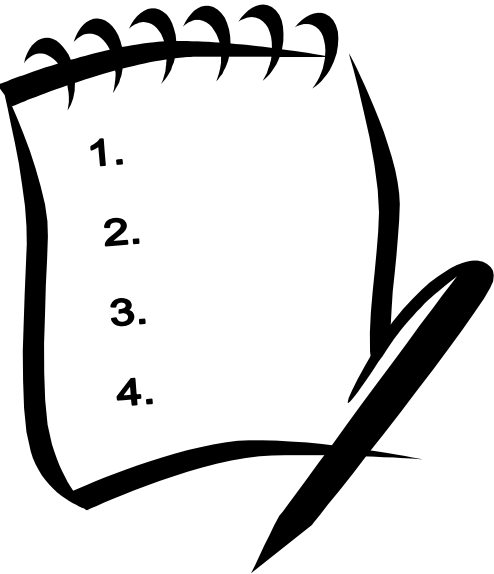
Texas State Secretary of State  
Corporations Section

P.O. Box 13697

Austin, TX 78711

(512) 463-5586

<http://www.sos.state.tx.us/corp/forms/202.doc>



**Step 5:** Fill out and return the application with necessary fee. The return mailing address is supplied on the form.

# A Note About Registered Agents

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☐ It is very important to keep the registered agent information up to date and accurate with the State. Failure to do this may result in the forfeiture of your corporation and the possibility of default judgments being awarded against your association.

☐ To update the registered agent for you corporation contact the Secretary of State and request form 401

Office of the Secretary of State

Corporations Section

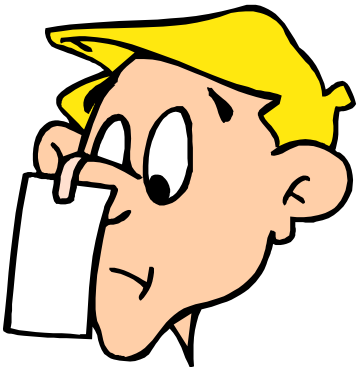
P.O. Box 13697

Austin, Texas 78711-3697

(512) 463-5586

<http://www.sos.state.tx.us/corp/forms/401.doc>

☐ Fill out and return the form with the necessary fee. The return mailing address is supplied on the form.



# Tax Considerations...

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Incorporating your association doesn't mean that your organization is automatically tax exempt. The IRS recognizes many categories of non-profit organizations, but most neighborhood associations may qualify as either 501(c)(3) or 501(c)(4) nonprofits.

❑ 501(c)(3) -applies to those groups that function as true charities. For example: educational entities, churches and hospitals. Contributions to a 501(c)(3) are tax deductible.

❑ 501(c)(4) –applies to those groups that are organized as “civic leagues.” The purpose of a civic league is to advance the common good and general welfare of people in a community. Most neighborhood associations qualify under this status. Contributions to a 501(c)(4) are not tax deductible. Neighborhood Associations typically fall under this category.





# To Apply For 501(c)(4) Status...

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- ☐ Obtain Publication 557 'Tax Exempt Status For Your Organization' to see if your association qualifies, by contacting the IRS:

1-800-829-3676 (1-800-TAX-FORM)

or

<http://www.irs.gov/pub/irs-pdf/p557.pdf>

- ☐ If you qualify, you will need to obtain form 1024 from the IRS:

1-800-829-3676 (1-800-TAX-FORM)

or

<http://www.irs.gov/pub/irs-fill/k1024.pdf>



# To Apply For 501(c)(4) Status...

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☐ Other forms needed to apply for 501(c)(4) status:

- Employer Identification Number (form SS-4)
- Form 8718-User Fee for Exempt Organization Determination Letter Request. In order for the IRS to rule on your application, you are required to pay a one time, non refundable fee. This fee typically ranges between \$150-\$375 for organizations with gross income under \$10,000.

☐ Fill out and return the form with the necessary fee. The return mailing address is supplied on the form.



# You're Almost There..

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Now that your formal structure is in place, you are on your way to becoming an organized association. However, this is just a beginning. A couple of things are left that are essential for a well run organization:

- ❑ Communication-Keep the lines of communication open between the officers of your organization and members. This can be done through newsletters, regular meetings and email lists.
- ❑ Keeping Minutes



# Making The Most of Your Minutes

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**“The keeping of clear, concise minutes is absolutely necessary as proof of the reasoned consideration of board actions and the democratic process of recording the votes of the directors proves that the actions taken were not dictatorial or arbitrary but the considered acts of a legitimately elected group of peer.”**

*From a ‘Guidebook to Board Membership in the Community Association’,  
by Dee McGee (San Antonio, TX: Neighborhood Resource Center)*



# Making The Most of Your Minutes

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**\* Don't Rely on Your Memory, Keep your minutes:**

**A Accurate  
C Clear  
C Concise  
U Understandable  
R Reliable  
A Authentic  
T To the point  
E Exact**



*\* From 'Taking Care of Business', 27<sup>th</sup> Annual  
Conference of Neighborhood Concerns, May  
2002*

# The End

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